



**ANNUAL BUDGET  
OF  
NDWEDWE LOCAL MUNICIPALITY**

**2014/2015 TO 2016/2017**

**MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK**

**Copies of this document can be viewed:**

- **At Ndwedwe main library and mobile library at Bhamshela**
  - **At Ndwedwe Thusong centre**
  - **At [www.ndwedwe.gov.za](http://www.ndwedwe.gov.za)**
  - **At [www.treasury.gov.za](http://www.treasury.gov.za)**

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**1- Mayor's Report**

2014/2015 Annual budget presentation by his Worship the Mayor, Councillor M Hadebe, at the Ndwedwe Council Chamber

Meeting held at Ndwedwe Council Chamber, on Thursday 29 May 2014.

Honorable Speaker, I wish to present an overview of the Annual Budget for the 2014/2015 budget year. This Annual Budget document is prepared in terms of the Municipal Budget and Reporting Regulations, promulgated in the Government Gazette No. 32141, dated 17 April 2009.

The 2014/2015 financial year is very critical to the Ndwedwe populace in that it marks the third financial year of the newly elected councilors after 2011. The 2011/2016 Council leadership being guided by a National call for all 283 municipalities in the country to formulate, adopt and execute a Plan to make Local Government Work Better For the community, also found itself duty bound to ensure that Ndwedwe Local municipality also set its attainable targets. The ten point development plan prioritizing ten key development tasks against which the Council would have to be measured in 2012 came into being and the same shall apply in the coming budget year.

The plan realistically looks into service delivery backlogs against the available municipal resources and begins to set out the MTREF development path through which the identified key priority needs could be achieved. It's heartening to mention that through visionary leadership and management of both Council and Municipality respectively, staff dedication, ratepayers' continued support and willingness by communities at large to actively partake in municipal programmes has indeed contributed to the realization of the 2011/2016 plan despite the municipality's limited budget against ever increasing community needs.

It is worth mentioning that Ndwedwe Municipality aligns its IDP and budget to NDP, which is National Government long strategic Plan that aims to invest in economic infrastructure. The Municipality has performed well especially on areas of infrastructure provisioning (access roads, crèches and power substation), preliminary town establishment projects (civic centre and streetlights), public participation, integrated youth development, integrated poverty alleviation measures and building e.g. good financial governance. It is with pride to mention that through this visionary 2011/2016 plan the municipality has over the past five years been receiving the clean bill of health (unqualified audit report) in terms of financial management.

In a nutshell the 2011/2016 plan has laid a solid foundation for Council and Municipality to adhere and foster the financial governance values, principles and practices in a manner that is in tandem with the financial governance legislations and best practices and thereby ensuring that the people of Ndwedwe dream of a better life for all is realized in their lifetime. Secondly this coming budget year (2013/2014) is key in that, people of Ndwedwe through the IDP/BUDGET Izimbizo have acknowledged the good work the 2011/2016 leadership and management of Council and Municipality have done and went further to speak to the key development priorities the new Council leadership will have to execute in the coming years (2014/2015 up to 2015/2016).

The revised plan encapsulates key priorities which are informed by the five year government priorities are: Expand and Maintain the Infrastructure, Expand and Maintain the Community Facilities, Expand Access to Integrated Poverty Programmes, Deepen Public Participation, Implement Programmes of inclusive and job creation and implement integrated youth development programmes.

It is also important to note that the expenditure required to address the challenges facing our municipality and our communities as a whole will inevitably always exceed available funding; hence difficult choices have been made in balancing expenditures against realistically anticipated revenues as stipulated in section 18 of the Municipal Finance Management Act

Taking the abovementioned explanations quoted from the original budget, I hereby recommend that the council:

**2. BUDGET RELATED RESOLUTIONS****RECOMMENDED**

- That the Council of Ndwedwe Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approve and adopt Annual Budget and Medium Term Budget Expenditure Framework as set out in the following schedules.
- A1 Schedule municipal draft budget comprises of following tables;
  - **Table A1 Budget Summary** (financial Performance, Capital Expenditure and cash sources, Financial Position and Cash Flows & Asset Management.
  - **Table A2 Consolidated Budgeted Financial Performance** (revenue and expenditure by standard classification;
  - **Table A3 Consolidated Budgeted Financial Performance** (revenue and expenditure by municipal vote);
  - **Table A4 Consolidated Budgeted Financial Performance** (Revenue and expenditure);
  - **Table A5 Consolidated Budgeted Capital Expenditure** by vote, standard classification and funding;
  - **Table A6 Consolidated Budgeted Financial Position;**
  - **Table A7 Consolidated Budgeted Cash Flows;**
  - **Table A8 Consolidated Cash Backed Reserves/Accumulated surplus reconciliation;**
  - **Table A9 Consolidated Asset Management;**
  - **Table A10 Consolidated Basic Service Delivery Measurement;**
  - That the Tariff charges for 2014/15 financial year be approved and adopted.
  - That the following Budget related policies be approved:
    - Credit control and debt collection policies
    - Asset Management Policy
    - Draft Supply Chain Management Policy
    - Budget and Virement Policy
    - Cash Management and Investment Policy
    - Tariff Policies
    - Tariff Increases;
    - Municipal Property Rates Act Policy
    - Draft Municipal Property Rates Act by-laws

### **3. Executive Summary**

The application of sound financial management principles for the compilation of the municipality's financial plan is vital and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all municipalities.

The municipality has embarked on improving quality of service delivery by beefing up working tools within Technical department. In 2013/2014 the Municipality bought two new motor graders, which were delivered in May 2014. Two new tipper trucks have been budgeted for in 2014/2015 financial year to work with the two motor graders purchased in 2013/2014, in order to maintain and improve roads of this Municipality. These acquisitions will help reduce money paid to service providers to assist with maintenance of the Municipal road infrastructure.

Ageing fleet of the Municipality has made it very difficult to visit some wards of the Municipality and this has resulted in budgeting for seventeen new vehicles, through a finance lease, to replace the old ones. Included in these vehicles will be two vehicles for the Deputy Mayor and the Speaker of the Municipality. All this acquisition of new fleet and machinery is in a quest to improve service delivery.

Ndwedwe Municipality will be implementing its new valuation roll in 2014/2015, and with the help of MillsFitchet the Municipality has managed to develop a new valuation roll just in time. The new valuation roll has seen the value of properties grow from R670 364 200 to R1 177 806 000, and the number of properties did not change that much but the big change was attributable to values of properties. The exercise of compiling a new valuation roll included get addresses where they were previously missing, and it is believed that these addresses will help a lot to improve the Municipality's collection rate from its current rate of 35%. It is worth mentioning that rates income accounts for only 4% of the total budget income of R152 417 231 for 2014/2015 financial year. Total grants, inclusive of Equitable Share, add up to R143 254 000, which is equivalent to 94% of total income, and this is a worrying factor since it shows that the Municipality is heavily grant dependant. Interest on Investment has decreased by 26% and this is due to anticipated improvement on capital expenditure, meaning less disposable cash from unspent conditional grants, and that would lead to less investments, with no prospects of increased interest, leading to lower interest on investment.

The Budget and Medium Term Revenue and Expenditure Framework (MTREF) was also prepared taking cognizance of the contents of the Local Government: Municipal Finance management act No 56 of 2003, circular No. 70, circular No 72 and the Local Government: MFMA budget formats Guide received from National Treasury.

The main challenges experienced during the compilation of the 2014/15 MTREF can be summarized as follows:

- Slow pace of Town development, evidenced by loss of a portion of NDPG funding amounting to R14.7m in 2013/2014 financial year.
- High number of poorly maintained community access roads or non-existent at all.

- Substantial need of community infrastructure e.g. Sports fields and electricity connections to households.
- The need to increase municipal fleet in order to meet minimum service delivery standard.
- Maintain an adequate balance of filling vacant posts and budget percentage of salaries against overall budget.
- The high prevalent of indigent households within Ndwedwe municipality.
- Lack of revenue base.

The following budget principles and guidelines directly informed the compilation of the 2014/15 MTREF:

- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI.
- Budget items that were not properly utilized during March 2013 were considered versus the SDBIP and other competing needs from other budget items.
- The 2013/14 Adjustments Budget priorities and targets, as well as the baseline allocations contained in that Adjustments Budget were used as the upper limits for the baselines for the 2014/15 annual budget.

In view of the aforementioned, the following table is a consolidated as overview of the proposed 2014/15 Medium-term Revenue and Expenditure Framework:

**Table 1 Consolidated Overview of the 2014/15 Budget and MTREF**

<b>Details</b>	<b>Adjustment Budget 2013/14 R'000</b>	<b>Budget Year 2014/15 R'000</b>	<b>Budget Year 2015/16 R'000</b>	<b>Budget Year 2016/17 R'000</b>
Total Operating Revenue	79,071	96,382,	123,743,	126,262,
Total Operating Expenditure	80,915,	92,912,	97,414,	98,792,
(Surplus)/Deficit for the year	-1,844	3,470	26,329,	27,470
<b>Capital Expenditure</b>	<b>68,851</b>	<b>59,505</b>	<b>64,483</b>	<b>66,789</b>

Total operating revenue has increased by 22 per cent or R17.311 million for the 2014/15 financial year when compared to the 2013/14 adjusted Budget as per Table A1- Budget Summary. For the outer two years, operational revenue will increase by 28 percent and increase by 2 per cent respectively. This is mainly due to the substantial 24 per cent increase on the Equitable Share allocations to the municipality and also the 32 per cent increase on property rate.

Total operating expenditure for the 2014/15 financial year has been appropriated at **R92,912 million** when compared to **R80.915 million** for the 2013/14 Adjustments Budget, operational expenditure has grown by

**15 per cent** in the 2014/15 budget and by **5 per cent** and **0.1 per cent** respectively for outer years of the MTREF.

The Capital Expenditure has decreased by **14 per cent** when compared to the 2013/14 Adjusted Budget. For the two outer years the total capital expenditure will increase by **8 per cent** and increase by **4 per cent** respectively. Source of funding for total capital budget for 2014/15 is **95 per cent** financed through conditional grant funding whilst the remainder is financed through internally generated funds, 4 per cent, and borrowings, 1 per cent.

#### • Operating Revenue Framework

The following table is summary of operating revenue (classified by revenue source)

**Table 2 operating revenue for 2014/15 Budget and MTREF (classified by revenue source)**

Description	Current year 2013/14		2014/15 Medium Term Revenue & expenditure Framework		
	Original Budget	Adjusted budget	Budget year 2014/15	Budget year+1 2015/16	Budget year+2 2016/17
	R	R	R	R	R
<b><u>Revenue by source</u></b>					
Property rates	4,791,000	4,791,000	6,314,000	6,692,840	7,054,253
Rental of facilities and equipment	200, 000	200,000	215,000	228,000	240,000
Interest earned – external investments	3,000,000	2,500,000	1,847,000	3,000,000	3,000,000
Interest earned – outstanding debtors	460,000	460,000	488,000	517,000	545,0000
Other revenue	300,000	300,000	300,000	318,000	335,0000
Transfers recognised - operational	70,566,000	70,820,000	87,218,000	112,987,000	115,088,000
<b>Total revenue (excluding capital transfer and contributions)</b>	<b><u>79,317,000</u></b>	<b><u>79,071,000</u></b>	<b><u>96,382,000</u></b>	<b><u>123,743,000</u></b>	<b><u>126,262,000</u></b>

In line with the formats prescribed by the municipal Budget and reporting regulations, capital transfer and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of operating surplus/deficit.

Transfer recognised operational revenue forms a significant percentage of the revenue basket for the municipality.

Property rate revenue is the second largest revenue source totaled to **R4 791 000** in the 2013/14 financial year and drastically increase to **R6 314 000** by 2016/17 financial year. Note that the year-on-year growth for

the 2014/15 financial year is **32 per cent** and then increase to **6 per cent** and **5.4 per cent** in the two outer years.

#### • Operating Expenditure Framework

The Council's expenditure framework for the 2014/15 budget and MTREF is informed by the following:

- Balanced budget constraint (total expenditure should not exceed total revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit.
- Funding of the budget over the medium-term is informed by Section 18 and 19 of the MFMA,
- The capital programmes are aligned to the Integrated Development Plan, IDP.

The following table is the high level summary of the 2014/15 Budget and MTREF operational expenditure (Classified per main type of operating expenditure):

**Table 3 summary of operating expenditure by standard classified item**

Description	Current year 2013/14		2014/15 Medium Term Revenue & expenditure Framework		
	Original Budget	Adjusted budget	Budget year 2014/15	Budget year+1 2015/16	Budget year+2 2016/17
	R	R	R	R	R
<b><u>Expenditure by type</u></b>					
Employees related cost	22,148,000	21,515,000	28,631,000	30,349,000	32,166,000
Remunerations of the councilors	8,916,000	8,916,000	9,451,000	10,039,000	10,722,000
Debt impairment	2,411,000	2,703,000	2,526,000	2,677,000	4,200,000
Depreciation & asset impairment	3,300,000	9,400,000	10,800,000	12,508,000	4,200,000
Finance charges	420,000	420,000	951,000	1,008,000	1,062,000
Contracted services	13,485,000	9,010,000	9,001,000	9,541,000	10,401,000
Other expenditure	29,226,00	28,951,000	30,054,000	31,767,000	36,049,000
Transfers and grants	0	0	0	0	0
<b>Total operating expenditure</b>	<b><u>79,907,000</u></b>	<b><u>80,915,000</u></b>	<b><u>92,274,000</u></b>	<b><u>95,584,000</u></b>	<b><u>95,747,000</u></b>

The budgeted allocation for employee related costs for the 2014/15 financial year totaled to **R28 631 000** which equals to **31 per cent** of the total operating expenditure.



**Provisions have been made for the following positions:**

<b>Position</b>
Budget and Treasury Officer
Payroll Clerk
Internal Audit Manager
Technician: Electrical ( Contract)
Senior Manager Technical: Electrical (Contract)
Data Capturer
Disaster Management Intern
Disaster Management Intern
Town Planning and Housing intern

The cost associated with the remuneration of councilors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the municipality's adjusted budget.

Provision for depreciation and asset impairment has been informed by the municipality's Fixed Asset management policy. Depreciation is widely considered a proxy for the measurement of the rate of asset consumption. Budgeted amount in this regard totals to **R10 800 000** for 2014/15 financial year and equates to **12 per cent** of the total operating expenditure. Provision for depreciation has increased by **15%** because of new assets bought at the end of 2013/2014 financial year to replace the old assets, two new motor graders to improve service delivery and two new trucks to be bought in 2014/2015 financial year, also to improve service delivery.

Finance charges for 2014/15 financial year have been budgeted at R951 000, and these are for 17 new vehicles and two trucks.

Contracted services comprise the security services and repairs and maintenance.

- Priority given to repairs and maintenance**

**The provision is made for repairs and maintenance for 2014/15 Budget and MTREF**

<b>Description</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Buildings	1 860 000	2 250 000	2 385 000	2 505 310
Computers	30 000	10 600	11 336	11 843
Furniture and equipment	30 000	100 000	106 000	111 724
Vehicles	650 000	700 000	742 000	1 146 896
Roads	740 000	800 000	848 000	890 400
Local sports facilities	1 300 000	1 500 000	1 590 000	1 669 500

<b>Total</b>	<b><u>4 610 000</u></b>	<b><u>5 360 600</u></b>	<b><u>5 682 236</u></b>	<b><u>6 335 673</u></b>
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A substantial budget is allocated towards upgrading of access roads and sport fields, the allocation for repairs and maintenance classified as contracted services is 6 per cent of the total operating expenditure budget for the 2013/14 financial year.

Other expenditure comprises of various line items relating to the daily operations of the municipality.

#### • Capital Expenditure

The following guidelines were applied in order to value and prioritize the capital projects:

- In line with the council's revised IPD
- Carry-over of previously approved projects
- Existing council's resolutions, statutory requirements and services related benefits
- Provision was made for the capital projects to be funded from the equitable share if actual cash is available

For the 2014/15 infrastructure budget is for the following projects:

**The provision is made for the following capital projects for 2014/15 budget and MTREF**

<b>Description</b>	<b>2014/15</b>
	<b>Amount R</b>
<b>Infrastructure projects funded by grants</b>	
Road - MIG	27 936 000
Electricity (street lights)	8 000 000
Neighborhood development	11 000 000
Massification Programme	7 000 000
Sports fields	2 100 000
<b>Sub total</b>	<b>56 036 000</b>
<b>Capital funded by equitable share</b>	
Mini-factories	500 000
Garage and parking	500 000
Furniture	250 000
Office equipment	100 000
Motor vehicles	959 000
Town Establishment	200 000
Creches	450 000
Computers	130 000
Brush cut machine	30 000
Fencing	250 000
Parkhome	100 000
<b>Total</b>	<b><u>59 505 000</u></b>

#### **4. Annual budget tables**

All budget tables as required in terms of Section 8 of the municipal budget and reporting regulations are enclosed as part of this analysis.

### **PART 2 – SUPPORTING DOCUMENTATION**

#### **1. Overview of budget process**

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Portfolio for Finance.

#### **• Budget Process Overview**

- In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2011) a time schedule that sets out the process to revise the IDP and prepare the budget.
- The Mayor tabled in Council the required the IDP and budget time schedule on 1 August 2013. Key dates applicable to the process were:
- ✓ **August 2013** – Joint strategic planning session of the Mayoral Committee and Executive Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritization criteria for the compilation of the 2012/13 MTREF;
- ✓ **September to November 2013** – Prepare draft IDP review, budget and OPMS. Present to Executive Committee Members and Council Members, advertise, community consultation and, Closing dates for comments in draft IDP review
- ✓ **December 2013** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario

considerations;

- ✓ **January 2014** – Incorporate comments received, present draft IDP review, budget and OPMS to Exco for recommendations, present draft IDP review to Council and submit to DLGTA for assessments
- ✓ **January 2014** – Assess mid-year budget and performance to inform adjustment, Mayor tables budget adjustment for the current financial year and council budget adjustment
- ✓ **February to March 2014** – align draft budget and IDP review report, finalise budget for the next three years in prescribed format, Mayor tables draft multi-years' budget, tariffs and budget policies to council,
- ✓ **April 2014** – Public consultation, closing date for written comments.
- ✓ **6 to 21 May 2014** – finalization of the 2014/15 IDP and 2014/15 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework
- ✓ **29 May 2014** - Tabling of the 2014/15 MTREF before Council for consideration and approval.

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

- **IDP and SDBIP**

This is third review of IDP adopted by the council in May 2011

It started in September 2012 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2014/15 MTREF in August.

- **Financial Modeling and Key Planning Drivers**

As part of the compilation of the 2014/15 MTREF, extensive financial modeling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2014/15 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Performance trends
- The approved 2013/14 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for service
- Improved and sustainable service delivery

**-Community Consultation**

The draft 2014/15 MTREF as tabled before Council and for community consultation was published on the Isolezwe newspaper and hard copies were made available at customer care offices, municipal notice boards

and various libraries.

In addition a further development of this year's consultation process included Mayoral Izimbizo. All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Ward Committees were utilized to facilitate the community consultation process during April 2014, and included public briefing sessions.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalization of the 2014/15 MTREF. Feedback and responses to the submissions received are available on request.

**2. Overview of alignment of annual budget with IDP**

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPis);
- Accelerated and Shared Growth Initiative (ASGISA);
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

Refer to table SA4, SA5, SA6 and SA7 highlights the IDP's five strategic objectives for the 2014/15 MTREF and further planning refinements that have directly informed the compilation of the budget:

### **3. Measurable performance objectives and indications**

The Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organizational performance which in

turn is directly linked to individual employees' performance. At this stage performance management applies to Section 57 employees and the municipality intends to cascade it to junior employees.

#### **-Free basic Services**

Electricity supplied by Eskom to indigent beneficiaries is paid for by the Municipality

#### **-Providing clean water and managing waste water**

Not applicable in our municipality, it is a District function.

### **4 Overview of budget related-policies**

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies. The council approved 2014/15 MTREF budget and the following budget related policies

- Review of credit control and debt collection policies
- Asset Management Policy
- Supply Chain Management Policy
- Budget and Virement Policy
- Cash Management and Investment Policy
- Tariff Policies
- Tariff Increases;
- Municipal Property Rates Act Policy
- Municipal Property Rates Act by-laws

### **5 Overview of budget assumptions**

#### **• Key focus areas for the 2014/15 budget process**

Notes that spending plans outlined in the 2013 Budget continue to support government's commitment to broadening service delivery and expanding investment in infrastructure, while taking account of the

constrained fiscal environment. South Africa's economy has continued to grow, but at a slower rate in 2013/2014 financial year. GDP growth reached 2.5 per cent in 2013 and is expected to grow at 2.7 per cent in 2014, rising to 3.8 per cent in 2015. Inflation has remained moderate, with consumer prices rising by 5.7 per cent in 2013 and projected to increase by an average of 5.6 per cent a year over the period ahead.

The Municipality medium-term expenditure framework (MTEF) is aligned with the National Development Plan (NDP) as a point of departure. The NDP sets out an integrated strategy for accelerating growth, eliminating poverty and reducing inequality by 2030. The NDP supported by the New Growth Path and other programmes provides a platform to look beyond the current constraints to the transformation imperatives over the next 20 to 30 years. The NDP emphasises the need to lower the cost of living for households and reduce the cost of doing business for small and emerging enterprise. These objectives need to take into account fiscal sustainability, which ensures that progress will not be interrupted or reversed.

- **Inflation forecasts**

Ndwedwe municipality have taken into account the macro-economic forecasts during the preparation of 2014/15 budget: the following table gives the GDP growth and CPI inflation indication.

Fiscal year	2013/14 Estimate	2014/15	2015/16 forecast	2016/17
Real GDP	2.5	3.0	3.6	3.8
CPI inflation	5.6	5.6	5.4	5.4

Source: Budget Review 2013

*Note that the fiscal year referred to is the national fiscal year (April to March) which is more closely aligned to the municipal fiscal year (July to June) than the calendar year inflation.*

- **Employee related costs**

Ndwedwe municipality has taken into account the multi-year Salary and Wage Collective Agreement for the period 1 July 2012 to 30 June 2015. The agreement provides for a wage increase based on the average CPI for the period 1 February 2013 until 31 January 2014, plus 1.25 per cent for the 2014/15 financial year. In this regard Ndwedwe municipality has noted that average CPI for this period is 5.6 per cent.

Salaries and wages for the 2014/15 budget year are as follows 5.6 per cent plus 1.25 per cent which is 6.85 per cent. The agreement also provides for a 1 per cent increase for the 2014/15 financial year. In this regard, municipality has provided for a 6.4 per cent (5.4 per cent plus 1 per cent) increase for the 2014/15 budget year, but this has been distorted increases due to job evaluation implemented in 2014. Please also refer to executive summary for explanatory information for an approach used.

- **Revising rates, tariffs and other charges**

In addition to the issues dealt with in MFMA Budget Circular 66 and 67, Ndwedwe local municipality has increased its property rates tariffs by 6%, the rate is in line with recommendations by National Treasury.

## 6 Overview of budget funding

- **Medium-term outlook: operating revenue**

The following table is a breakdown of the operating revenue over the medium-term:

Description	Budget year 2014/15 (R 000)	Budget year 2015/2016 (R 000)	Budget year 2016/2017 (R 000)
Property rates	6 314	6 693	7 054
Investment revenue	1 847	3 000	3000
Transfers recognized - operational	87 218	112 987	115 088
Other own revenue	300	318	335

- **Medium-term outlook: capital revenue**

The following information is a breakdown of the funding composition of the 2014/15 medium-term capital programme:

Sources of capital revenue over the MTREF are transfers from National Treasury and Provincial Treasury, refer to A5 and SA18.

- **Cash Flow Management**

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table A7 and SA30 is consistent with international standards of good financial management practice and also improves understandability for councilors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from „Ratepayers and other“ to be provided for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue.



- **Cash Backed Reserves/Accumulated Surplus Reconciliation**

Table A8 meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA.

## **7. Expenditure allocations and grant programme**

The expenditure on grants is clearly allocated on Table SA19.

## **8. Councilors salaries and allowances and employees benefits**

Councilors and employees remuneration are clearly outlined in Table SA22 and SA 23

## **9. Allocations and grants made by the Municipality**

The Municipality projects that there won't be any allocations and grants made by it.

## **10. Monthly targets for revenue, expenditure and cash flow**

Monthly targets are clearly outlined in table S.A25, SA26, SA27,SA28, SA29 And SA30.

## **11. Annual budgets and SDBIPs – internal departments**

Draft annual budget was approved by council on the 28 March 2014 and the SDBIP approved by Council within 28 working days.

## **12. Contracts having future budgetary implications**

No contracts are awarded beyond the medium-term revenue and expenditure framework (three years).

## **13. Capital expenditure details**

Capital expenditure programmes are clearly outlined in table SA34A, SA34C and SA36.

## **14. Legislation compliance status**

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

- **In-year reporting**

Reporting to Provincial Treasury and National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) is also done on monthly basis.

- **Internship programme**

The Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department.

- **Budget and Treasury Office**

The Budget and Treasury Office has been established in accordance with the MFMA.

- **Audit Committee**

An Audit Committee has been established and is fully functional.

- **Service Delivery and Implementation Plan**

The detail SDBIP document is at a draft stage and will be finalised after approval of the 2014/15 MTREF in May 2014 directly aligned and informed by the 2014/15 MTREF.

- **Annual Report**

Annual report is compiled in terms of the MFMA and National Treasury requirements.

- **MFMA Training**

The MFMA training module in electronic format is presented at the Municipality and training is ongoing.

- **Policies**

An amendment of the Municipal Property Rates Regulations as published in Government Notice has been complied with.

## **15. Other Supporting Documentation**

Other supporting documentation in terms relevant budget laws and regulations are attached.

**16. Municipal Manager's quality certification**

I, Phakama **Mhlongo**, Acting Municipal Manager of Ndwedwe Municipality, hereby certify that the Final annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act, and the regulations made under the Act.

\_\_\_\_\_  
Acting Municipal Manager of Ndwedwe Municipality (KZN 293)

Date .....

(NB: Signed Certificate will be forwarded)